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July 24, 2006

Ms. Mary Rupp  
Secretary of the Board  
National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314-342

Re: Proposed Rule Part 708a

Dear Ms. Rupp:

On behalf of the management and Board of FORUM Credit Union, I would like to take this opportunity to comment on proposed changes to Part 708a of NCUA's Rules and Regulations regarding charter conversions.

While we have been supportive of NCUA's efforts since 2003 to bring more transparency into the conversion process, we are concerned that this most recent revision goes beyond what is necessary and will only serve to make any conversion process more distracting and confusing to a majority of credit union members. It is our strong belief that any changes to NCUA's conversion regulation should seek to recognize and be reflective of the views of the entire membership of a credit union and never just a select few. The regulation, as drafted, could in certain circumstances permit a relatively few number of members the opportunity to create confusion and misinformation during what should be a sound and factual information process. In our view, allowing for pre-vote town hall meetings or a similar format would be a more acceptable and productive approach in creating a fair and understandable process than continually sending informational packets to members regarding a process they may or may not understand. We question the necessity of such a change when the current regulation is more than sufficient to ensure transparency and proper notification and is working effectively.

Although FORUM Credit Union currently has no intention to pursue conversion to a mutual savings bank and is committed to the credit union philosophy upon which our credit union has been built and served its members for decades, we recognize that some credit unions may feel that legislative, regulatory or marketplace considerations could force them to consider other charter options. It is our position that such a decision to pursue conversion to another type of financial institution should never be entered into lightly, and, should another charter option be pursued, members should be informed about the conversion process in a manner that is both factual and neutral in its

approach. Because the decision to convert or not to convert has significant consequences for the membership, the role of the regulator should be to ensure that statutory requirements governing conversions and notices are properly adhered to. However, as currently drafted, it appears that the proposed changes go well beyond the scope of NCUA's statutory and regulatory role in the conversion process. NCUA's primary role has always been to ensure the safety and soundness of the credit union system. The proposed changes have very little, if anything, to do with safety and soundness in our opinion. The proposed regulation, as currently drafted, borders on micromanagement and seems to create a regulatory preference against conversions, even if the members of the credit union were to elect to do so after a careful evaluation of factual information.

We believe credit unions would be better served if NCUA were to provide general guidance and best practices about the conversion process rather than imposing additional regulations in addition to those already in place. As stated before, the current regulation provides sufficient safeguards to ensure full disclosure and transparency in the process.

While we remain convinced that the present regulations are working effectively and question the need for any changes to the current regulation, we believe the following aspects of the proposal to be the most troubling:

***Requiring Notice to Members That the Board is Going to Discuss the Options of Converting***

We are concerned that, as drafted, the above referenced NCUA proposed regulation could unnecessarily serve to significantly undermine the authority and duties of a credit union's elected volunteer Board of Directors. Of particular concern to FORUM Credit Union is the specific language in the proposal that would require, among other things, a credit union Board to notify the credit union membership **prior** to its consideration of the issues involved in assessing the possibility of a vote to pursue a potential conversion to a mutual savings bank. In our estimation, such a requirement is unnecessary, circumvents the democratic process and presumes a particular outcome that may or may not occur. The mere consideration of a particular action, legally authorized, should not give rise to a costly membership vote or notification requirement. We believe the procedure set forth in the current NCUA regulation remains the most appropriate method for ensuring full membership disclosure without unnecessary regulatory burden in that it requires a membership vote **after** the Board has recommended conversion. Recent history would seem to indicate that the current regulation and process is indeed working appropriately as members have made their intentions known in several contested conversion cases resulting in a decision by the membership, **after** the Board has considered the issue and decided to begin the conversion process, to remain a credit union.

Should a credit union feel that it should evaluate whether a charter conversion is in its best interests, we feel that this is and should be a strategic decision and evaluation

process, first conducted by the management and members of the Board who can gain access to the necessary facts to determine, from a fiduciary perspective, whether a charter change option is even appropriate for consideration. Many significant issues are considered and discussed by members of a credit union Board on a regular basis before recommending a particular course of action, many times resulting in a negative decision against pursuing a thoroughly considered option. This is a healthy exercise and one that needs to be part of any credit union's ongoing scenario planning process. To require notification to the membership that the Board may be considering a recommendation to convert, and **prior** to a Board vote to do so, is an onerous and costly requirement that not only presumes a particular result, but that also seriously diminishes the evaluative, strategic and fiduciary role of the elected volunteer Board of Directors to make decisions on behalf of the credit union membership.

### ***Requiring Directors to Only Vote on a Conversion After Determining the Conversion is in the Best Interest of the Members***

This requirement seems to be a case of well intentioned, but misplaced micromanagement on the part of NCUA. Again, credit unions are democratically controlled financial cooperatives with an elected volunteer Board of Directors. There is a process already in place to ensure that the proposed action is in the best interest of the members – the ballot. The proposed requirement creates a regulatory preference against conversions and implies that Board members who support a conversion do not represent the best interests of the membership. As long as disclosure is complete and all information presented is factual as required in existing regulation, it is the membership that would determine by ballot if their best interests are being represented.

### ***Requirement to Conduct a Membership Vote Within One Year***

We do not understand the necessity for such a requirement. An arbitrary deadline of one year seems to run contradictory to NCUA's stated goal of full disclosure and transparency. The requirement to have a vote so quickly after the Board's decision to recommend conversion, combined with the natural time constraints associated with the conversion process in general, may hinder efforts to fully inform members accurately about the entire process and could result in reduced member participation. The time from decision to vote should be driven by the length of time required to properly engage the membership in the process, fully inform those members in a factual manner and conduct a fair and impartial vote.

### ***One Ballot with the 30 Day Notice***

The requirement to allow the credit union to send only one ballot with the 30 day notice, rather than allowing ballots to be mailed multiple times, seems counter productive to member participation. The rules should favor more member participation, rather than limiting it. If the purpose of the NCUA role in the conversion process is to ensure full disclosure, transparency with integrity and the widest possible member involvement in such a critical decision regarding the governance of the credit union, it would appear

that a greater number of disclosure and ballot opportunities would be preferable to a smaller number.

Because of FORUM Credit Union's strong commitment to the credit union charter and the fact that we are not now, nor do we intend to be, pursuing a charter conversion, we feel that we have standing to comment as a stakeholder on these proposed regulatory changes. In our opinion, the modifications to rule 708a would seriously deteriorate the very structure that has made credit unions successful.

The principles of cooperative governance through elected, volunteer Board of Directors and the "one member, one vote" philosophy are certainly alive and well in credit unions, and NCUA should always be cautious about imposing any regulation that would diminish or undermine that structure. Therefore, we strongly urge the NCUA Board to consider keeping the disclosure regulations for charter conversions in their current form. The present regulations seem to be balanced and working effectively.

In the alternative, should NCUA feel that a third update of conversion regulations since 2003 be necessary, we would urge the Board to modify the proposed changes significantly to ensure that the cooperative democratically controlled structure of credit unions continues to be protected by amending the provisions referenced above.

Thank you in advance for your consideration of our thoughts and comments on the proposed changes. I would be happy to discuss any of our positions and concerns at your convenience. FORUM Credit Union does indeed acknowledge and appreciate your challenging responsibilities and diligent efforts, as a safety and soundness regulator and insurer, to protect and defend America's credit unions and their members.

Sincerely,



Gary Irvin  
CEO  
FORUM Credit Union

Hon. JoAnn Johnson, NCUA Chairman  
Hon. Rodney Hood, NCUA Vice-Chairman  
Hon. Gigi Hyland, NCUA Board Member  
Sen. Richard Shelby, Chairman, Senate Banking Committee  
Sen. Paul Sarbanes, Ranking Member, Senate Banking Committee  
Sen. Richard Lugar, State of Indiana  
Sen. Evan Bayh, State of Indiana  
Rep. Mike Oxley, Chairman, House Financial Services Committee  
Rep. Barney Frank, Ranking Member, House Financial Services Committee  
Rep. Spencer Bachus, Chairman, Subcommittee on Financial Institutions  
Rep. Bernie Sanders, Ranking Member, Subcommittee on Financial Institutions  
Rep. Dan Burton, Fifth Congressional District, State of Indiana  
Rep. Patrick McHenry, House Financial Services Committee  
Hon. Judith Ripley, Director, Indiana Department of Financial Institutions  
Hon. Mark Powell, Supervisor, Indiana Department of Financial Institutions